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INDEPENDENT AUDITORS' REPORT

To the Members of
DOLPHIN COVE LIMITED

Report on the Financial Statements

We have audited the financial statements, comprising the separate financial statements of Dolphin Cove Limited (the company) and the consolidated financial statements of the company and its subsidiaries (the group), set out on pages 3 to 38, which comprise the group's and the company's statements of financial position as at December 31, 2012, the group's and the company's statements of comprehensive income, changes in stockholders' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

To the Members of
DOLPHIN COVE LIMITED

Report on the Financial Statements, continued

Opinion

In our opinion, the financial statements give a true and fair view of the financial positions of the group and the company as at December 31, 2012, and of the group's and company's financial performance, changes in stockholders' equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

Report on additional matters as required by The Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

KPMG

Chartered Accountants
Montego Bay, Jamaica

February 28, 2013

DOLPHIN COVE LIMITED

Group Statement of Financial Position
December 31, 2012

	Notes	2012	2011
CURRENT ASSETS			
Cash and cash equivalents		59,263,625	44,922,944
Securities purchased under resale agreements		-	63,558,935
Investments	3	54,686,189	54,394,538
Accounts receivable	4	144,134,941	164,342,854
Due from related parties	5(a)	56,557,537	5,878,625
Taxation recoverable		5,663,025	4,036,524
Inventories	6	25,933,853	24,994,578
		346,239,170	362,128,998
NON-CURRENT ASSETS			
Property, plant and equipment	8	899,384,545	819,552,062
Live assets	9	158,899,972	108,033,316
		1,058,284,517	927,585,378
TOTAL ASSETS		$1,404,523,687	1,289,714,376
CURRENT LIABILITIES			
Bank overdrafts	10	32,755,176	6,769,468
Short-term loan	11	10,000,000	-
Accounts payable	12	90,802,506	64,154,178
Current portion of long-term liabilities	14	56,219,347	72,496,871
Taxation payable		-	6,216
		189,777,029	143,426,733
NON-CURRENT LIABILITIES			
Deferred tax liability	13	17,232,183	8,873,757
Long-term liabilities	14	45,127,500	124,862,788
		62,359,683	133,736,545
STOCKHOLDERS’ EQUITY			
Share capital	15	257,960,325	257,960,325
Capital reserves	16	351,729,563	344,965,907
Retained earnings		542,697,087	409,624,866
		1,152,386,975	1,012,551,098
TOTAL STOCKHOLDERS’ EQUITY AND LIABILITIES		$1,404,523,687	1,289,714,376

The financial statements on pages 3 to 38 were approved by the Board of Directors on February 28, 2013 and signed on its behalf by:

_________________________ Director
Stafford Burrowes, O.D.

_________________________ Director
Richard Downer, C.D.

The accompanying notes form an integral part of the financial statements.

DOLPHIN COVE LIMITED

Group Statement of Comprehensive Income
Year ended December 31, 2012

	Notes	2012	2011
OPERATING REVENUE	17		
Dolphin attraction revenue		868,440,153	794,006,489
Less: Direct costs of dolphin attraction		(91,869,922)	(80,886,060)
		776,570,231	713,120,429
Ancillary services revenue		418,198,719	317,853,768
Less: Direct costs of ancillary services		(65,740,017)	(58,014,646)
		352,458,702	259,839,122
Gross profit		1,129,028,933	972,959,551
Gain on disposal of property, plant and equipment		-	570,000
Other income		924,285	27,699
		1,129,953,218	973,557,250
OPERATING EXPENSES			
Selling		328,745,119	301,273,283
Other operations		292,494,669	263,960,059
Administrative		233,876,051	177,819,869
		855,115,839	743,053,211
Profit before finance income and costs		274,837,379	230,504,039
Finance income	18(a)	3,892,443	8,722,172
Finance costs	18(b)	(13,813,966)	(35,317,035)
Profit before taxation		264,915,856	203,909,176
Taxation	19	(14,094,731)	567,899
Profit for the year	20	250,821,125	204,477,075
OTHER COMPREHENSIVE INCOME			
Deferred tax on revalued buildings	16	6,485,207	-
Fair value appreciation/(depreciation) of available-for-sale investments	16	278,449	(776,164)
		6,763,656	(776,164)
Total comprehensive income		$ 257,584,781	203,700,911
Earnings per stock unit	21	63.92¢	52.11¢

The accompanying notes form an integral part of the financial statements.

DOLPHIN COVE LIMITED

Group Statement of Changes in Stockholders' Equity
Year ended December 31, 2012

	Share capital (note 15)	Capital reserves (note 16)	Retained earnings	Total
Balances at December 31, 2010	258,217,124	345,742,071	252,238,237	856,197,432
Transactions recorded directly in equity:				
Transaction costs (note 15)	(256,799)	-	-	(256,799)
Dividends (note 23)	-	-	(47,090,446)	(47,090,446)
	(256,799)	-	(47,090,446)	(47,347,245)
Total comprehensive income:				
Profit for the year	-	-	204,477,075	204,477,075
Other comprehensive income:				
Fair value depreciation of available-for-sale investments	-	(776,164)	-	(776,164)
	-	(776,164)	204,477,075	203,700,911
Balances as at December 31, 2011	257,960,325	344,965,907	409,624,866	1,012,551,098
Transactions recorded directly in equity:				
Dividends (note 23)	-	-	(117,748,904)	(117,748,904)
Total comprehensive income:				
Profit for the year	-	-	250,821,125	250,821,125
Other comprehensive income:				
Deferred tax on revalued buildings	-	6,485,207	-	6,485,207
Fair value appreciation of available-for-sale investments	-	278,449	-	278,449
	-	6,763,656	250,821,125	257,584,781
Balances as at December 31, 2012	$257,960,325	351,729,563	542,697,087	1,152,386,975

The accompanying notes form an integral part of the financial statements.

DOLPHIN COVE LIMITED

Group Statement of Cash Flows
Year ended December 31, 2012

	Notes	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		250,821,125	204,477,075
Adjustments for:			
Depreciation and amortisation	8,9	33,942,762	30,833,295
Adjustment to property, plant and equipment		248,000	-
Interest income	18(a)	(3,892,443)	(8,722,172)
Interest expense	18(b)	18,942,673	22,640,117
Gain on disposal of property, plant and equipment		-	(570,000)
Taxation	19	14,094,731	(567,899)
		314,156,848	248,090,416
Accounts receivable		20,207,913	(39,606,135)
Inventories		(939,275)	324,791
Accounts payable		19,218,191	152,981
Due from related parties		(50,678,912)	(3,480,718)
Cash generated from operations		301,964,765	205,481,335
Interest paid		(11,512,536)	(21,193,542)
Income tax paid		(883,815)	(8,445,908)
Net cash provided by operating activities		289,568,414	175,841,885
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		3,892,443	8,620,642
Securities purchased under resale agreements, net		63,558,935	139,865,688
Additions to property, plant and equipment	8	(103,882,361)	(49,180,314)
Proceeds from disposal of property, plant and equipment		-	2,250,000
Additions to live assets	9	(61,007,540)	(325,000)
Loan receivable		-	625,798
Investments acquired		(13,202)	(55,170,702)
Net cash (used)/provided by investing activities		(97,451,725)	46,686,112
CASH FLOWS FROM FINANCING ACTIVITIES			
Short-term loan received	11	10,000,000	-
Long-term liabilities, net		(96,012,812)	(136,289,639)
Shares issued, net of expenses		-	(256,799)
Dividends paid	23	(117,748,904)	(47,090,446)
Net cash used by financing activities		(203,761,716)	(183,636,884)
Net (decrease)/increase in cash resources		(11,645,027)	38,891,113
Cash resources at beginning of the year		38,153,476	(737,637)
CASH RESOURCES AT END OF YEAR		$ 26,508,449	38,153,476
Comprising:			
Cash and cash equivalents		59,263,625	44,922,944
Bank overdrafts		(32,755,176)	(6,769,468)
		$ 26,508,449	38,153,476

The accompanying notes form an integral part of the financial statements.

DOLPHIN COVE LIMITED

Company Statement of Financial Position
December 31, 2012

	Notes	2012	2011
CURRENT ASSETS			
Cash and cash equivalents		46,294,304	33,373,506
Securities purchased under resale agreements		-	63,558,935
Investments	3	54,686,189	54,394,538
Accounts receivable	4	113,172,071	138,853,766
Due from related parties	5(a)	53,507,205	5,878,625
Taxation recoverable		5,623,713	4,022,467
Inventories	6	22,244,185	21,820,337
		295,527,667	321,902,174
NON-CURRENT ASSETS			
Investment in subsidiaries	7	33,238,142	33,220,242
Property, plant and equipment	8	331,583,392	324,352,898
Live assets	9	158,527,766	107,656,692
Due from subsidiaries	5(b)	282,479,094	274,603,230
		805,828,394	739,833,062
TOTAL ASSETS		$1,101,356,061	1,061,735,236
CURRENT LIABILITIES			
Bank overdrafts	10	32,348,151	6,769,468
Short-term loans	11	10,000,000	-
Accounts payable	12	83,055,774	55,787,714
Due to subsidiaries	5(a)	17,900	-
Current portion of long-term liabilities	14	56,219,347	72,496,871
		181,641,172	135,054,053
NON-CURRENT LIABILITIES			
Deferred tax liability	13	12,455,033	4,420,712
Long term liabilities	14	45,127,500	124,862,788
		57,582,533	129,283,500
STOCKHOLDERS' EQUITY			
Share capital	15	257,960,325	257,960,325
Capital reserves	16	144,258,736	137,495,080
Retained earnings		459,913,295	401,942,278
		862,132,356	797,397,683
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		$1,101,356,061	1,061,735,236

The financial statements on pages 3 to 38 were approved by the Board of Directors on February 28, 2013 and signed on its behalf by:

_______________________ Director
Stafford Burrowes, O.D.

_______________________ Director
Richard Downer, C.D.

The accompanying notes form an integral part of the financial statements.

DOLPHIN COVE LIMITED

Company Statement of Comprehensive Income
Year ended December 31, 2012

	Notes	2012	2011
OPERATING REVENUE	17		
Dolphin attraction revenue		648,361,251	627,588,055
Less: Direct costs of dolphin attraction		(83,506,286)	(74,006,694)
		564,854,965	553,581,361
Ancillary services revenue		398,781,042	312,255,890
Less: Direct costs of ancillary services		(56,525,708)	(50,524,665)
		342,225,334	261,731,225
Gross profit		907,110,299	815,312,586
Gain on disposal of property, plant and equipment		-	570,000
Other income		679,249	-
		907,789,548	815,882,586
OPERATING EXPENSES			
Selling		302,012,801	278,672,985
Other operations		221,713,022	202,895,186
Administrative		203,079,431	155,210,525
		726,805,254	636,778,696
Profit before finance income and costs		180,984,294	179,103,890
Finance income	18(a)	22,627,713	30,632,407
Finance costs	18(b)	(14,127,714)	(33,282,638)
Profit before taxation		189,484,293	176,453,659
Taxation	19	(13,764,372)	417,490
Profit for the year	20	175,719,921	176,871,149
OTHER COMPREHENSIVE INCOME			
Deferred tax on revalued buildings	16	6,485,207	-
Fair value appreciation/(depreciation) of available-for-sale investments	16	278,449	(776,164)
		6,763,656	(776,164)
Total comprehensive income		$182,483,577	176,094,985

The accompanying notes form an integral part of the financial statements.

DOLPHIN COVE LIMITED

Company Statement of Changes in Stockholders' Equity
Year ended December 31, 2012

	Share capital (note 15)	Capital reserves (note 16)	Retained earnings	Total
Balances at December 31, 2010	258,217,124	138,271,244	272,161,575	668,649,943
Transactions recorded directly in equity:				
Transaction costs (note 15)	(256,799)	-	-	(256,799)
Dividends (note 23)	-	-	(47,090,446)	(47,090,446)
	(256,799)	-	(47,090,446)	(47,347,245)
Total comprehensive income:				
Profit for the year	-	-	176,871,149	176,871,149
Other comprehensive income:				
Fair value depreciation of available-for-sale investments	-	(776,164)	-	(776,164)
	-	(776,164)	176,871,149	176,094,985
Balances as at December 31, 2011	257,960,325	137,495,080	401,942,278	797,397,683
Transactions recorded directly in equity:				
Dividends (note 23)	-	-	(117,748,904)	(117,748,904)
Total comprehensive income:				
Profit for the year	-	-	175,719,921	175,719,921
Other comprehensive income:				
Deferred tax on revalued buildings	-	6,485,207	-	6,485,207
Fair value depreciation of available-for-sale investments	-	278,449	-	278,449
	-	6,763,656	175,719,921	182,483,577
Balances as at December 31, 2012	$257,960,325	144,258,736	459,913,295	862,132,356

The accompanying notes form an integral part of the financial statements.

DOLPHIN COVE LIMITED

Company Statement of Cash Flows
Year ended December 31, 2012

	Notes	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		175,719,921	176,871,149
Adjustments for:			
Depreciation and amortisation	8,9	26,289,736	23,367,974
Interest income	18(a)	(22,627,713)	(30,632,407)
Interest expense	18(b)	18,942,673	22,640,117
Gain on disposal of property, plant and equipment		-	(570,000)
Taxation	19	13,764,372	(417,490)
		212,088,989	191,259,343
Accounts receivable		25,681,695	(26,531,311)
Inventories		(423,848)	(2,661,619)
Accounts payable		14,576,521	(3,136,705)
Due from related parties		(47,628,580)	(3,480,718)
Cash generated from operations		251,923,357	155,448,990
Interest paid		(6,251,134)	(21,193,542)
Income tax paid		(846,090)	(8,432,422)
Net cash provided by operating activities		244,826,133	125,823,026
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		17,366,311	30,530,877
Securities purchased under resale agreements, net		63,558,935	139,865,688
Additions to property, plant and equipment	8	(23,406,764)	(37,645,237)
Proceeds from disposal of property, plant and equipment		-	2,250,000
Additions to live assets	9	(60,984,540)	(47,000)
Due from subsidiary		(50,243,042)	3,926,195
Investments acquired		(13,202)	(55,170,702)
Loan receivable		-	625,798
Net cash (used)/provided by investing activities		(53,722,302)	84,335,619
CASH FLOWS FROM FINANCING ACTIVITIES			
Short-term loan received	11	10,000,000	-
Long-term liabilities, net		(96,012,812)	(136,289,639)
Shares issued, net of expenses		-	(256,799)
Dividends paid	23	(117,748,904)	(47,090,446)
Net cash used by financing activities		(203,761,716)	(183,636,884)
Net (decrease)/increase in cash resources		(12,657,885)	26,521,761
Cash resources at beginning of the year		26,604,038	82,277
CASH RESOURCES AT END OF YEAR		$ 13,946,153	26,604,038
Comprising:			
Cash and cash equivalents		46,294,304	33,373,506
Bank overdrafts		(32,348,151)	(6,769,468)
		$ 13,946,153	26,604,038

The accompanying notes form an integral part of the financial statements.

1. Identification

Dolphin Cove Limited (the company) is incorporated and domiciled in Jamaica and its registered office and principal place of business is located at Belmont Road, Ocho Rios, St. Ann, Jamaica W.I.

The principal activities of the company are the operation of a tourist attraction comprising dolphin programmes and ancillary operations such as restaurants, gift and video shops. The company also operates an attraction at Prospect Plantation under a lease agreement.

The company's shares are listed on the Junior Market of the Jamaica Stock Exchange since December 21, 2010.

The company and its wholly-owned subsidiaries are collectively referred to as "the group" (note 7).

The company's principal subsidiaries are as follows:

- Dolphin Cove (Negril) Limited was incorporated in Jamaica, on May 11, 2010, and commenced operations in September 2010. Its principal place of business is located at Point, Lucea, Hanover, Jamaica W.I., where it offers dolphin programmes and ancillary operations similar to that of its parent company.

- Too Cool Limited is incorporated in the Cayman Islands and owns land and buildings from which its parent company operates.

- Cheshire Hall Limited was incorporated on June 22, 2012 as a St. Lucian International Business Company (IBC), controlled by the company through a deed. Its wholly-owned subsidiary, DCTCI Limited was incorporated in the Turks and Caicos Islands and owns land on which the group intends to develop an attraction.

- Balmoral Dolphins Limited is also a St. Lucian IBC, incorporated on April 5, 2012. Its wholly-owned subsidiary, Dolphin Cove TCI Limited, was incorporated in the Turks & Caicos Islands for the intended purpose of operating the attraction to be developed by DCTCI Limited.

2. Statement of compliance, basis of preparation and significant accounting policies

(a) Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board and comply with the provisions of the Jamaican Companies Act.

During the year, certain new standards interpretation and amendments to existing standards became effective. The group has assessed them and determined that the following though relevant did not have a significant impact on these financial statements:

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(a) Statement of compliance (cont'd):

- Amendments to IFRS 7 *Disclosures – Transfer of Financial Assets* requires disclosure of information that enable users of financial statements to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities, and to evaluate the nature of and risks associated with the entity's continuing involvement in these derecognised assets.

- Amendments to IAS 12 *Income Taxes* require an entity to measure deferred taxes relating to an asset based on whether the entity expects to recover the carrying amount of the asset through use or sale.

At the date of authorisation of the financial statements, there were certain standards and interpretations which were in issue but were not yet effective. Those which management considered relevant to the group and their effective dates are as follows:

- Amendments to IAS 1 *Presentation of Financial Statements* is effective for annual reporting periods beginning on or after July 1, 2012. This requires a reporting entity to present separately the items of other comprehensive income (OCI) that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these sections. The existing option to present the profit or loss and other comprehensive income in two statements has not changed. The title of the statement has changed from 'Statement of Comprehensive Income' to 'Statement of Profit or Loss and Other Comprehensive Income'. However, an entity is still allowed to use other titles.

- IFRS 12 *Disclosure of Interests in Other Entities* is effective for annual reporting periods beginning on or after January 1, 2013. It contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The required disclosures aim to provide information in order to enable users to evaluate:

  - the nature of, and risks associated with, an entity's interests in other entities; and
  - the effects of those interests on the entity's financial position, financial performance and cash flows.

  Entities are encouraged to provide information required by IFRS 12 before the effective date, but this early disclosure would not compel the entity to apply either IFRS 12 in its entirety or the other new consolidation standards.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(a) Statement of compliance (cont'd):

- IAS 27 (2011) *Separate Financial Statements* is effective for annual reporting periods beginning on or after January 1, 2013. The amended standard carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements, with some minor clarifications. The requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27.

- *Improvements to IFRS 2009-2010* cycle contains amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2013. The main amendments applicable to the group are as follows:

    - IAS 1 *Presentation of Financial Statements* has been amended to clarify that only one comparative period, which is the preceding period, is required for a complete set of financial statements. IAS 1 requires the presentation of an opening statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification. IAS 1 has been amended to clarify that (a) the opening statement of financial position is required only if a change in accounting policy, a retrospective restatement or a reclassification has a material effect upon the information in that statement of financial position; (b) except for the disclosures required under IAS 8, notes related to the opening statement of financial position are no longer required; and (c) the appropriate date for the opening statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented.

    - IAS 16 *Property, Plant and Equipment* has been amended to clarify that the definition of 'property, plant and equipment' in IAS 16 is considered in determining whether spare parts, standby-by equipment and servicing equipment should be accounted for under the standard. If these items do not meet the definition, then they are accounted for under IAS 2 *Inventories*.

    - IAS 32 *Financial Instruments: Presentation* has been amended to clarify that IAS 12 *Income Taxes* applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction.

    - IAS 34 *Interim Financial Reporting* has been amended to require the disclosure of a measure of total assets and liabilities for a particular reporting segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(a) Statement of compliance (cont'd):

- IFRS 10 *Consolidated Financial Statements* is effective for annual reporting periods beginning on or after January 1, 2013. IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation Special Purpose Entities* and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when (1) it is exposed or has rights to variable returns from its involvement with that investee, (2) has the ability to affect those returns through its power over that investee and (3) there is a link between power and returns. The exposure to risks and rewards of an investee does not, on its own, determine that the investor has control over an investee. It is one of the factors of the control analysis. IFRS 10 clarifies that the investor always considers purpose and design of the investee when assessing control.

The group is assessing the impact the new, revised and amended standards and interpretations will have on its financial statements when they become effective.

(b) Basis of preparation:

The financial statements are prepared on the historical cost basis, modified for the inclusion of land and buildings at valuation [note 2(i)] and available-for-sale investments at fair value [note 2(n)], and are presented in Jamaica dollars ($), which is the functional currency of the company.

Where necessary, comparative amounts have been reclassified to conform with changes in the presentation in the current year. The changes made to the comparative amounts are not considered material.

(c) Use of estimates and judgements:

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, contingent assets and contingent liabilities at the reporting date and the revenue and expenses for the period then ended. Actual amounts could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year of the revision and future years, where applicable.

Judgements made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(c) Use of estimates and judgements (cont'd):

(i) Allowance for impairment losses on receivables:

In determining amounts recorded for impairment losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from receivables, due to default or adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows.

(ii) Net realisable value of inventories:

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the year, to the extent that such events confirm conditions existing at the end of the year.

Estimates of net realisable value also take into consideration the purpose for which the inventory is held.

(iii) Fair value of land and buildings:

Land and buildings reflect revalued amounts, based on market valuations done by external independent valuers. On the instructions of management, the valuers have used a direct sales comparison approach to determine fair market value.

This approach is based on the principle of substitution, whereby there is a purchaser with perfect knowledge of the property market who would pay no more for the property than the cost of acquiring an existing property, comparable with others of similar design and utility which were sold in the recent past.

However, as no two properties are exactly alike, adjustments are made by the valuers to reflect differences between properties. Consequently, the determination of fair market value of the property requires that the valuers analyse the differences in relation to age and physical condition, time of sale, land to building ratio, the advantages and disadvantages of the location and other functional gains to be derived from the property, and make necessary adjustments.

(iv) Residual value and expected useful life of property, plant and equipment and live assets:

The residual value and the expected useful life of an asset are reviewed at least at each financial year-end, and, if expectations differ from previous estimates, the change is accounted for. The useful life of an asset is defined in terms of the asset's expected utility to the group.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(c) Use of estimates and judgements (cont'd):

It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from those assumptions, could require a material adjustment to the carrying amount reflected in the financial statements.

(d) Basis of consolidation:

(i) A "subsidiary" is an enterprise controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of a subsidiary are included in the consolidated financial statements from the date control commences until the date that control ceases.

(ii) Intra-group balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(iii) The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

(iv) The consolidated financial statements include the separate financial statements of the company and its subsidiaries (note 1), made up to December 31, 2012.

(e) Cash and cash equivalents:

Cash and cash equivalents comprise cash in hand and at bank including short-term deposits, where the original maturities of such deposits do not exceed three months.

Bank overdrafts that are repayable on demand and form an integral part of the group's cash management activities, are included as a component of net cash resources for the purpose of the statement of cash flows.

(f) Securities purchased under resale agreements:

Securities purchased under resale agreements are short-term transactions in which the group makes funds available to other parties and in turn receives securities which it agrees to resell on a specified date at a specified price. Resale agreements are accounted for as short-term collateralised lending.

(g) Accounts receivable:

Trade and other receivables are stated at amortised cost less impairment losses.

(h) Inventories:

Inventories are stated at the lower of cost, determined on the weighted average basis, and net realisable value

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(i) Property, plant and equipment:

Land and buildings are stated at valuation, less subsequent depreciation. All other categories of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is recognised in profit or loss on the straight-line basis computed at annual rates estimated to write down the assets to their estimated residual values over their estimated useful lives.

The estimated useful lives are as follows:

Buildings	40 years
Leasehold improvements	10 years
Furniture, fixtures and equipment	10 years
Computers	5 years
Motor vehicles	5 years

No depreciation is charged on land and capital work-in-progress.

(j) Live assets:

This comprises the carrying value of dolphins and other marine life, as well as birds and animals capitalised. These assets are stated at cost less amortisation over periods not exceeding fifteen years.

(k) Accounts payable:

Trade and other payables are stated at amortised cost.

(l) Provisions:

A provision is recognised when the group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be estimated reliably. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

(m) Related parties:

A related party is a person or company that is related to the company that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

(a) A person or a close member of that person's family is related to a reporting entity if that person:
   i) has control or joint control over the reporting entity;
   ii) has significant influence over the reporting entity; or
   iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(m) Related parties (cont'd):

(b) A company is related to a reporting entity if any of the following conditions applies:

i) The company and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

ii) One company is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other company is a member).

iii) Both companies are joint ventures of the same third party.

iv) One company is a joint venture of a third company and the other company is an associate of the third entity.

v) The company is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting company is itself such a plan, the sponsoring employers are also related to the reporting company.

vi) The company is controlled, or jointly controlled by a person identified in (a).

vii) A person identified in (a)(i) has significant influence over the company or is a member of the management personnel of the company (or of a parent of the company).

A related party transaction involves transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

(n) Investments:

Investments are classified as loans and receivables and available-for-sale. Loans and receivables are those that have a fixed or determinable payment and which are not quoted in an active market.

Loans and receivables investments are initially measured at cost and subsequently at amortised cost, calculated on the effective interest method, less impairment losses.

Available-for-sale investments are stated at fair value, except where fair value cannot be reliably determined, in which case they are stated at cost, with any movements in fair value, except for impairment losses, recognised in other comprehensive income.

The fair value of available-for-sale investments is based on their quoted market bid price at the reporting date. Where a quoted market price is not available, fair value is estimated using discounted cash flow techniques.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(n) Investments (cont'd):

Available-for-sale investments are recognised or derecognised by the company on the date it commits to purchase or sell the investments. When these investments are derecognised, the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

(o) Impairment:

The carrying amounts of the group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, an asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or group of operating assets exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

(i) Calculation of recoverable amounts:

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to the present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Receivables with a short duration are not discounted. For an asset that does not generate independent cash inflows, the recoverable amount is determined for the group of operating assets to which the asset belongs.

(ii) Reversals of impairment:

An impairment loss in respect of receivables is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount. For financial assets measured at amortised cost, the reversal is recognised in profit or loss. For available-for-sale equity securities, the reversal is recognised directly in other comprehensive income.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(p) Foreign currencies:

Foreign currency balances at the reporting date are translated at the rates of exchange ruling on that date. Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Gains and losses arising from fluctuations in exchange rates are included in profit or loss.

(q) Revenue recognition:

Revenue from the provision of services is recognised when the service has been provided to customers. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(r) Employee benefits:

Employee benefits include current or short-term benefits such as salaries, statutory contributions paid, annual vacation and sick leave, and non-monetary benefits such as medical care and housing.

Short-term employee benefits are recognised as a liability, net of payments made, and charged as expenses. The expected cost of vacation leave that accumulates is recognised when the employees become entitled to the leave.

(s) Expenses/income:

i) Finance income:

Finance income comprises interest earned on funds invested and foreign exchange gains recognised in profit or loss. Interest income is recognised in profit or loss as it accrues, taking into account the effective yield on the asset.

ii) Finance costs:

Finance costs comprise interest incurred on borrowings, calculated using the effective interest method, foreign exchange losses and bank related charges.

iii) Operating lease payments:

Payments under leases are recognised in profit or loss on the straight-line basis over the term of the lease.

(t) Income taxes:

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised directly to equity, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date.

A deferred tax liability is recognised for taxable temporary differences, except to the extent that the group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(u) Segment reporting:

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components and for which discrete financial information is available. The identification of operating segments is based on the group's management and internal reporting structure. An operating segment's operating results are reviewed regularly by the Managing Director to make decisions about resources to be allocated to the segment and assess its performance. Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The segments which do not qualify as reportable segments are combined and disclosed as other segments. Segment information is presented in respect of the geographical locations of the group's strategic business segments.

(v) Financial instruments:

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of these financial statements, financial assets have been determined to include cash and cash equivalents, securities purchased under resale agreements, accounts receivable, investments and related party receivables. Similarly, financial liabilities include bank overdrafts, accounts payable and provisions, long-term liabilities and related party payables.

(w) Determination of fair value:

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Some financial instruments lack an available trading market. These instruments are valued using present value, or other generally accepted valuation techniques, and the fair value shown may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

3. Investments

	The Group and the Company	
	2012	2011
Available-for-sale:		
Pan Caribbean Financial Services Ltd.:		
Sigma Optima	30,154,088	32,995,026
Scotia Investments Limited:		
Scotia Canadian Growth Fund		
[US$264,097 (2011: US$246,323)]	24,336,445	21,217,062
	54,490,533	54,212,088
Loans and receivables:		
Fixed deposits		
[US$2,122 (2011: US$2,122)]	195,656	182,450
	$54,686,189	54,394,538

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)
December 31, 2012

4. Accounts receivable

	The Group		The Company	
	2012	2011	2012	2011
Trade receivables	143,455,015	171,523,203	108,274,836	143,140,811
Other receivables	29,758,944	12,463,514	28,896,217	11,711,937
	173,213,959	183,986,717	137,171,053	154,852,748
Less: Allowance for impairment	(29,079,018)	(19,643,863)	(23,998,982)	(15,998,982)
	$144,134,941	164,342,854	113,172,071	138,853,766

(a) The aging of trade receivables and related impairment was:

	The Group			
	Gross 2012	Impairment 2012	Gross 2011	Impairment 2011
Due 0-30 days	64,994,258	-	76,959,057	-
Past due 31-60 days	13,708,922	-	21,847,861	-
Past due 61–90 days	4,794,685	-	31,790,052	-
More than 90 days	59,957,150	29,079,018	40,926,233	19,643,863
Total	$143,455,015	29,079,018	171,523,203	19,643,863

	The Company			
	Gross 2012	Impairment 2012	Gross 2011	Impairment 2011
Due 0-30 days	50,329,247	-	62,036,135	-
Past due 31-60 days	10,653,224	-	15,385,983	-
Past due 61–90 days	3,590,612	-	30,352,970	-
More than 90 days	43,701,753	23,998,982	35,365,723	15,998,982
Total	$108,274,836	23,998,982	143,140,811	15,998,982

(b) The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	The Group		The Company	
	2012	2011	2012	2011
Balance at beginning of year	19,643,863	9,998,982	15,998,982	9,998,982
Impairment loss recognised	9,435,155	9,644,881	8,000,000	6,000,000
Balance at end of year	$29,079,018	19,643,863	23,998,982	15,998,982

5. Due from related parties

(a) Current:

This comprises amounts due to/from subsidiaries, directors and affiliated entities, which are repayable within three months.

(b) Non-current:

Due from subsidiaries includes:

- The balance on a loan of US$2,374,424 to Dolphin Cove (Negril) Limited on terms and conditions agreed between the parties from time to time.
- The balance on loans of $96,250,000 and $15,000,000 to Dolphin Cove (Negril) Limited on terms and conditions agreed between the parties from time to time.
- An advance of US$720,000 to DCTCI Limited for the purchase of property (see note 1).

6. Inventories

	The Group		The Company	
	2012	2011	2012	2011
Items for resale	26,382,557	23,699,599	23,195,385	20,998,647
Dolphin food	2,461,246	2,724,859	1,958,750	2,251,570
	28,843,803	26,424,458	25,154,135	23,250,217
Less: Allowance for impairment	(2,909,950)	(1,429,880)	(2,909,950)	(1,429,880)
	$25,933,853	24,994,578	22,244,185	21,820,337
Inventories charged to expenses during the year	$19,354,443	16,206,705	12,863,991	11,398,614

7. Investment in subsidiaries

This represents the cost of the company's 100% interest in the shares of its subsidiaries (note 1).

	2012	2011
Dolphin Cove (Negril) Limited	100,002	100,002
Too Cool Limited	33,120,240	33,120,240
Cheshire Hall Limited	8,950	-
Balmoral Dolphins Limited	8,950	-
	$33,238,142	33,220,242

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)
December 31, 2012

8. Property, plant and equipment

The Group

	Land and buildings	Leasehold improvements	Furniture, fixtures, computers & equipment	Motor vehicles	Capital work-in-progress	Total
Cost or valuation:						
December 31, 2010	725,755,292	1,291,511	105,244,230	14,327,064	-	846,618,097
Additions	18,523,473	57,293	27,999,548	2,600,000	-	49,180,314
Disposals	-	-	-	(2,670,000)	-	(2,670,000)
December 31, 2011	744,278,765	1,348,804	133,243,778	14,257,064	-	893,128,411
Additions	20,497,342	221,200	16,871,906	-	66,291,913	103,882,361
Adjustment	(248,000)	-	-	-	-	(248,000)
December 31, 2012	764,528,107	1,570,004	150,115,684	14,257,064	66,291,913	996,762,772
Depreciation:						
December 31, 2010	5,334,352	706,494	39,752,599	7,671,345	-	53,464,790
Charge for the year	7,737,602	133,176	11,068,035	2,162,746	-	21,101,559
Eliminated on disposals	-	-	-	(990,000)	-	(990,000)
December 31, 2011	13,071,954	839,670	50,820,634	8,844,091	-	73,576,349
Charge for the year	8,046,138	164,464	14,366,595	1,224,681	-	23,801,878
December 31, 2012	21,118,092	1,004,134	65,187,229	10,068,772	-	97,378,227
Net book values:						
December 31, 2012	$743,410,015	565,870	84,928,455	4,188,292	66,291,913	899,384,545
December 31, 2011	$731,206,811	509,134	82,423,144	5,412,973	-	819,552,062

The Company

	Land and buildings	Leasehold improvements	Furniture, fixtures, computers & equipment	Motor vehicles	Total
Cost or valuation:					
December 31, 2010	258,602,230	1,291,511	82,023,991	10,803,660	352,721,392
Additions	8,702,315	57,293	26,285,629	2,600,000	37,645,237
Disposals	-	-	-	(2,670,000)	(2,670,000)
December 31, 2011	267,304,545	1,348,804	108,309,620	10,733,660	387,696,629
Additions	6,870,592	221,200	16,314,972	-	23,406,764
December 31, 2012	274,175,137	1,570,004	124,624,592	10,733,660	411,103,393
Depreciation:					
December 31, 2010	3,392,482	706,494	39,147,309	7,436,452	50,682,737
Charge for the year	3,529,148	133,176	8,530,605	1,458,065	13,650,994
Eliminated on disposals	-	-	-	(990,000)	(990,000)
December 31, 2011	6,921,630	839,670	47,677,914	7,904,517	63,343,731
Charge for the year	3,781,261	164,464	11,710,545	520,000	16,176,270
December 31, 2012	10,702,891	1,004,134	59,388,459	8,424,517	79,520,001
Net book values:					
December 31, 2012	$263,472,246	565,870	65,236,133	2,309,143	331,583,392
December 31, 2011	$260,382,915	509,134	60,631,706	2,829,143	324,352,898

8. Property, plant and equipment (cont'd)

(a) Land and buildings were valued on an open market value basis by Easton Douglas & Company (Chartered Surveyors and Property Consultants of Kingston, Jamaica) in 2009. The directors are of the opinion that the current carrying values of land and buildings approximate market value as at December 31, 2012. The surpluses arising on revaluation are included in capital reserves (note 16).

(b) Land and buildings include land at a valuation of $439,354,062 (2011: $426,724,562) for the group and $121,600,000 (2011: $121,600,000) for the company.

(c) Capital work-in-progress represents land and related expenditure incurred in connection with the planned development of an attraction in the Turks and Caicos Islands [note 1(c)].

9. Live assets

	The Group		
	Dolphins	Other creatures	Total
Cost:			
December 31, 2010	132,542,448	13,304,998	145,847,446
Additions	-	325,000	325,000
December 31, 2011	132,542,448	13,629,998	146,172,446
Additions	60,745,010	262,530	61,007,540
December 31, 2012	193,287,458	13,892,528	207,179,986
Amortisation:			
December 31, 2010	24,418,047	3,989,347	28,407,394
Charge for the year	8,836,614	895,122	9,731,736
December 31, 2011	33,254,661	4,884,469	38,139,130
Charge for the year	9,223,897	916,987	10,140,884
December 31, 2012	42,478,558	5,801,456	48,280,014
Net book values:			
December 31, 2012	$150,808,900	8,091,072	158,899,972
December 31, 2011	$ 99,287,787	8,745,529	108,033,316

	The Company		
Cost:			
December 31, 2010	132,542,449	13,189,497	145,731,946
Additions	-	47,000	47,000
December 31, 2011	132,542,449	13,236,497	145,778,946
Additions	60,745,010	239,530	60,984,540
December 31, 2012	193,287,459	13,476,027	206,763,486
Amortisation:			
December 31, 2010	24,418,047	3,987,227	28,405,274
Charge for the year	8,836,614	880,366	9,716,980
December 31, 2011	33,254,661	4,867,593	38,122,254
Charge for the year	9,223,897	889,569	10,113,466
December 31, 2012	42,478,558	5,757,162	48,235,720
Net book values:			
December 31, 2012	$150,808,901	7,718,865	158,527,766
December 31, 2011	$ 99,287,788	8,368,904	107,656,692

10. Bank overdrafts

The company has an overdraft facility in the amount of $4,060,000 which is secured by a savings balance of US$56,400. The facility attracts interest of 17.75% per annum. The prior year bank overdrafts represent credit balances on the company's bank accounts arising from items in transit at the reporting date.

11. Short-term loan

This represents a short-term loan due to be repaid in February 2013. The balance is unsecured and bears interest at 14.40% per annum.

12. Accounts payable

	The Group		The Company	
	2012	2011	2012	2011
Trade payables	42,227,782	15,587,454	37,696,976	14,439,859
Other payables and accruals	48,574,724	48,566,724	45,358,798	41,347,855
	$90,802,506	64,154,178	83,055,774	55,787,714

13. Deferred tax liability

Deferred tax is attributable to the following:

	The Group					
	Balance at December 31, 2010	Recognised in income (note 19)	Balance at December 31, 2011	Recognised in income (note 19)	Recognised in equity (note 16)	Balance at December 31, 2012
Property, plant and equipment	(5,384,886)	(648,716)	(6,033,602)	13,950,355	(6,485,207)	1,431,546
Live assets	14,832,758	74,601	14,907,359	893,278	-	15,800,637
	$ 9,447,872	(574,115)	8,873,757	14,843,633	(6,485,207)	17,232,183

	The Company					
	Balance at December 31, 2010	Recognised in income (note 19)	Balance at December 31, 2011	Recognised in income (note 19)	Recognised in equity (note 16)	Balance at December 31, 2012
Property, plant and equipment	(9,969,602)	(426,499)	(10,396,101)	13,535,704	(6,485,207)	(3,345,604)
Live assets	14,807,804	9,009	14,816,813	983,824	-	15,800,637
	$ 4,838,202	(417,490)	4,420,712	14,519,528	(6,485,207)	12,455,033

Effective January 1, 2013, the corporate income tax rate for unregulated companies was reduced from 33⅓% to 25%. This change was enacted by Ministerial Order dated December 28, 2012, under the Provisional Collection of Tax Act. IAS 12 *Income Taxes* requires that deferred tax be measured at the tax rates that have been enacted or substantively enacted as at the reporting date. Hence, the new tax rate has been applied, in conjunction with the company's entitlement to remission of taxes outlined in note 19(c), in determining the deferred tax liability for the group and company as at December 31, 2012 (see note 27).

14. Long-term liabilities

		The Group and the Company 2012	2011
(a)	Long-term loan:		
	National Export Import Bank of Jamaica Limited [US$389,549 (2010: US$1,675,616)]	36,219,347	145,109,659
(b)	Due to property vendor	65,127,500	52,500,000
		101,346,847	197,359,659
	Less: Current portion	(56,219,347)	(72,496,871)
		$ 45,127,500	124,862,788

(a) This loan bears interest at 7.5% per annum and is secured by a guarantee from PanCaribbean Bank Limited in the amount of US$2,585,500.

(b) This comprise two loans used to finance the acquisition of parcels of land in Hanover. The first represents the balance of an initial loan of $94,000,000 plus the company's share of transaction costs and is payable within four years. The second parcel of land was purchased with a loan of $15,000,000, against which payments of $2,272,500 were applied. The balance is payable upon exchange of the title to the property. Interest is payable quarterly at a rate of 12% per annum on both loans.

15. Share capital

Authorised:
432,426,376 ordinary shares of no par value

	2012	2011
Stated capital, issued and fully paid:		
392,426,376 ordinary shares of no par value	279,053,297	279,053,297
Less: Transaction costs of share issue	(21,092,972)	(21,092,972)
	$257,960,325	257,960,325

16. Capital reserves

	The Group 2012	The Group 2011	The Company 2012	The Company 2011
Revaluation surplus arising on (note 8):				
Land	268,788,836	268,788,836	86,389,500	86,389,590
Buildings	102,894,062	102,894,062	77,822,481	77,822,481
	371,682,898	371,682,898	164,212,071	164,212,071
Deferred tax arising on revalued buildings	(19,455,620)	(25,940,827)	(19,455,620)	(25,940,827)
Investment revaluation reserve	(497,715)	(776,164)	(497,715)	(776,164)
	$351,729,563	344,965,907	144,258,736	137,495,080

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)
December 31, 2012

17. Operating revenue

This represents revenue from the operation of attractions and is reported net of discounts and General Consumption Tax.

18. Finance income/(costs)

	The Group		The Company	
	2012	2011	2012	2011
(a) Finance income:				
Interest income	$ 3,892,443	8,722,172	22,627,713	30,632,407
(b) Finance costs:				
Interest expense	(18,942,673)	(22,640,117)	(18,942,673)	(22,640,117)
Bank charges	(5,700,719)	(5,448,054)	(4,555,752)	(4,880,749)
Net foreign exchange gains/(losses)	16,513,524	(1,852,406)	13,375,355	(1,851,394)
Credit card charges	(5,684,098)	(5,376,458)	(4,004,644)	(3,910,378)
	$(13,813,966)	(35,317,035)	(14,127,714)	(33,282,638)

19. Taxation

	The Group		The Company	
	2012	2011	2012	2011
(a) Income tax charge:				
(i) Current tax at 33⅓%				
Current year	6,254	6,216	-	-
Adjustment in respect of prior year	(755,156)	-	(755,156)	-
	(748,902)	6,216	(755,156)	-
(ii) Deferred taxation:				
Origination of temporary differences (note 13)	14,843,633	(574,115)	14,519,528	(417,490)
	$14,094,731	(567,899)	13,764,372	(417,490)

(b) Reconciliation of actual tax expense:

	The Group		The Company	
	2012	2011	2012	2011
Profit before taxation	$264,915,856	203,909,176	189,484,293	176,453,659
Computed "expected" tax charge	88,305,285	67,969,725	63,161,431	58,817,886
Tax effect of differences between treatment for financial statement and taxation purposes:				
Depreciation and capital allowances, net	8,510,735	(2,431,005)	7,246,467	(2,980,758)
Exchange (gains)/losses	(2,458,893)	153,226	(1,412,837)	153,226
Provision for unused vacation	349,029	90,099	321,696	69,432
Disallowed expenses	5,134,444	6,586,053	8,135,367	1,535,191
Tax remission [note (c)]	(62,932,596)	(58,012,467)	(62,932,596)	(58,012,467)
Relief under Section 86 of the Income Tax Act [note (d)]	(22,058,117)	(11,762,215)	-	-
Tax losses utilised	-	(3,161,315)	-	-
	14,849,887	(567,899)	14,519,528	(417,490)
Adjustment in respect of prior year	(755,156)	-	(755,156)	-
Actual tax charge/(credit) recognised in profit for the year	$14,094,731	(567,899)	13,764,372	(417,490)

19. Taxation (cont'd)

(c) The company's shares were listed on the Junior Market of the Jamaica Stock Exchange on December 21, 2010. Consequently, the company is entitled to a remission of taxes for 10 years in the proportions set out below, provided the shares remain listed for at least 15 years:

- Year 1 to 5 100%
- Years 5 to 6 50%

(d) Approval has been granted for Dolphin Cove (Negril) Limited to be relieved of income tax arising from operations up to August 2015, under Section 86 of the Income Tax Act.

(e) Chesire Hall Limited and Balmoral Dolphins Limited have elected to pay income tax at 1% of profits earned. However, both companies have not commenced operations as at the reporting date (note 1).

(f) Dolphin Cove TCI Limited and DCTCI Limited are not required to pay corporation tax in the Turks & Caicos Islands.

20. Disclosure of expenses

Profit for the year is stated after charging:

	The Group		The Company	
	2012	2011	2012	2011
	$	$	$	$
Directors' emoluments:				
Fees	9,080,000	7,899,485	6,636,300	6,819,485
Management	28,100,153	33,559,785	28,100,153	33,559,785
Auditors' remuneration	5,030,000	4,200,000	3,200,000	3,200,000
Depreciation and amortisation	33,942,762	30,833,295	26,289,736	23,367,974
Staff costs [see also note 22(c)]	315,946,105	258,304,477	269,798,589	223,683,906

21. Earnings per stock unit

Earnings per stock unit is calculated by dividing the profit for the year by the weighted average number of ordinary shares in issue for the year.

	2012	2011
Profit for the year attributable to shareholders of the company	$250,821,125	204,477,075
Weighted average number of ordinary shares held during the year	392,426,376	392,426,376
Earnings per stock unit (expressed in ¢ per share)	63.92¢	52.11¢

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)
December 31, 2012

22. Related party balances and transactions

(a) Identity of related parties:

The company has related party relationships with its subsidiaries, (note 1) its affiliate, Dolphin Cove (Cayman) Limited, its directors and key management personnel.

(b) The statement of financial position includes balances with related parties as stated at note 5.

(c) The statement of comprehensive income includes the following income/(expense) transactions with related parties.

	The Group		The Company	
	2012	2011	2012	2011
	$	$	$	$
Interest earned from subsidiary [note 5(b)]	-	-	18,836,283	21,964,185
Boat rental paid to a director	(1,847,985)	-	(1,847,985)	-
Professional fees paid to a director	(594,130)	-	(594,130)	-
Mini-boat commissions paid to a director	(1,498,321)	(2,123,929)	(1,498,321)	(2,123,929)

	The Group		The Company	
	2012	2011	2012	2011
	$	$	$	$
Rental of dolphins and camels to subsidiary	-	-	57,218,400	46,815,200
Management fees charged to subsidiary	-	-	3,600,000	3,600,000
Key management personnel compensation (included in staff costs) (note 20)	(40,526,459)	(41,379,270)	(38,082,759)	(40,379,270)

23. Dividends

During the year the company paid dividends of $0.04, $0.16 and $0.10 per ordinary share held on March 13, 2012, July 9, 2012, and November 7, 2012, respectively.

In the prior year, the company paid dividends of $0.08 and $0.04 per ordinary share held on September 28, 2011 and November 30, 2011, respectively.

24. Segment results

The group's reportable segments are as follows:

(a) Ocho Rios - This comprises business in Ocho Rios, St. Ann and includes tourist attractions such as dolphin programmes, restaurants, gift and video shops.

(b) Hanover - This comprises business at Point, Lucea, Hanover and includes tourist attractions such as dolphin programmes, gift and video shops.

(c) Others - This materially comprises business at the Prospect and Half Moon locations. Only dolphin programmes are offered at the Half Moon location. Horseback tours and plantation tours, which include camel rides, ostriches and a butterfly enclosure, are offered at the Prospect location.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)
December 31, 2012

24. Segment results (cont'd)

Information regarding the results, assets and liabilities of each reportable segment is presented below:

	2012			
	Ocho Rios	Hanover	Other	Total
Gross revenue from external customers	$ 972,023,382	300,314,979	85,842,711	1,358,181,072
Finance income	$ 22,627,713	101,013	-	22,728,726
Finance costs	$(14,127,714)	(18,522,536)	-	(32,650,249)
Depreciation and amortisation	$(25,451,522)	(6,804,620)	(1,686,620)	(33,942,762)
Taxation	$(13,764,372)	(330,359)	-	(14,094,731)
Segment profit after tax	$ 171,952,687	75,949,633	2,918,805	250,821,125
Reportable segment assets	$1,297,772,891	321,104,070	101,542,962	1,720,419,923
Capital expenditure	$ 22,780,137	14,183,685	66,918,539	103,882,361
Reportable segment liabilities	$ 239,233,705	229,118,087	66,274,014	534,615,806

	2011			
	Ocho Rios	Hanover	Other	Total
Gross revenue from external customers	$ 867,502,493	222,431,512	72,341,452	1,162,275,457
Finance income	$ 30,632,407	53,950	-	30,686,357
Finance costs	$(33,282,638)	(23,998,582)	-	(57,281,220)
Depreciation and amortisation	$ 22,184,848	6,595,133	2,053,314	30,833,295
Taxation	$ 417,490	150,409	-	567,899
Segment profit after tax	$ 179,841,297	28,476,114	(3,840,336)	204,447,075
Reportable segment assets	$1,272,874,998	303,465,300	21,197,550	1,597,537,848
Capital expenditure	$ 36,853,226	11,813,077	839,011	49,505,314
Reportable segment liabilities	$ 264,337,553	287,428,955	-	551,766,508

Reconciliation of reportable segment revenue, finance income, finance costs, assets and liabilities:

	2012	2011
Revenue		
Total revenue for reportable segments	1,358,181,072	1,162,275,457
Elimination of inter-segment management fees	(4,800,000)	(3,600,000)
Elimination of inter-segment rental income	(66,742,200)	(46,815,200)
	$1,286,638,872	1,111,860,257
Finance income		
Total finance income for reportable segments	22,728,726	30,686,357
Elimination of inter-company transactions	(18,836,283)	(21,964,185)
Consolidated finance income	$ 3,892,443	8,722,172

24. Segment results (cont'd)

Reconciliation of reportable segment finance income, finance costs, assets and liabilities (cont'd):

	2012	2011
Finance costs		
Total finance costs for reportable segments	(32,650,249)	(57,281,220)
Elimination of inter-company transactions	18,836,283	21,964,185
Consolidated finance costs	$(13,813,966)	(35,317,035)
Assets		
Total assets for reportable segments	1,720,419,923	1,597,537,848
Elimination of investment in subsidiaries	(33,417,142)	(33,220,242)
Elimination of due from subsidiary	(282,479,094)	(274,603,230)
Consolidated total assets	$1,404,523,687	1,289,714,376
Liabilities		
Total liabilities for reportable segments	534,615,806	551,766,508
Elimination of due to parent company	(282,479,094)	(274,603,230)
Consolidated total liabilities	$ 252,136,712	277,163,278

25. Financial instruments

(a) Financial risk management:

The group has exposure to credit risk, market risk and liquidity risk from its use of financial instruments in the ordinary course of the business. Derivative financial instruments are not used to reduce exposure to fluctuations in interest and foreign exchange rates.

(i) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The maximum exposure to credit risk at the reporting date is represented by the carrying amount of each financial asset.

25. Financial instruments (cont'd)

(a) Financial risk management (cont'd):

(i) Credit risk (cont'd):

Cash and cash equivalents, securities purchased under resale agreements and investments

The group limits its exposure to credit risk by:

- placing cash resources with substantial counterparties who are believed to have minimal risk of default;
- only investing in liquid securities with credit worthy institutions; and
- obtaining sufficient collateral as a means of mitigating the risk of financial loss from defaults.

Accounts receivable

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management has a credit policy in place under which each customer is analysed for credit worthiness prior to being offered credit. The group does not require collateral in respect of trade and other receivables. At the reporting date there were significant concentrations of credit risk in respect of 10 (2011: 10) major customers for the group and 7 (2011: 7) for the company who materially comprised trade receivables. As at December 31, 2012, amounts receivable from these customers aggregated $66,068,242 (2011: $82,917,323) for the group and $52,422,505 (2011: $77,057,983) for the company. These represent 46% (2011: 59%) and 48% (2011: 48%) of trade receivables for the group and the company, respectively.

The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The allowances for doubtful debts are based on the aging of the receivables, with write-offs made if attempts to collect fail and the amount is deemed to be uncollectible.

Due from related parties

At the reporting date there were no significant concentrations in respect of amounts due from related parties. These related parties are considered to be solvent.

There were no changes in the group's and the company's approach to managing credit risk during the year.

(ii) Market risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market prices. These arise mainly from changes in interest rates and foreign exchange rates and will affect the group's and the company's income or the value of its holdings of financial instruments.

DOLPHIN COVE LIMITED

Notes to the Financial Statements (Continued)
December 31, 2012

25. Financial instruments (cont'd)

(a) Financial risk management (cont'd):

(ii) Market risk (cont'd):

- Interest rate risk:

  Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

  Subject to normal conditions, the group and the company materially contracts financial liabilities at fixed interest rates for the duration of the term.

  Interest-bearing financial assets are primarily represented by cash and cash equivalents, securities purchased under resale agreements and investments. Interest-bearing financial liabilities are mainly represented by loans and bank overdrafts.

  Financial instruments are subject to interest as follows:

	Carrying amount			
	The Group		The Company	
	2012	2011	2012	2011
Fixed rate instruments:				
Financial assets	-	182,450	282,479,094	197,542,109
Financial liabilities	(111,346,847)	(197,359,659)	(111,346,847)	(197,359,659)
	(111,346,847)	(197,177,209)	171,132,247	182,450
Variable rate instruments:				
Financial assets	57,729,526	94,452,618	44,759,705	84,547,027
Financial liabilities	(32,755,176)	(6,769,468)	(32,348,151)	(6,769,468)
	$24,973,850	87,683,150	12,411,554	77,777,559

Cash flow sensitivity analysis for variable rate instruments

A change of 400 (2011: 100) basis points in interest rates at the reporting date would have increased/decreased profit by $998,954 (2011: $876,832) for the group and $496,462 (2011: $777,776) for the company. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.

Fair value sensitivity analysis for fixed rate instruments

The group and the company do not account for any fixed rate financial instrument at fair value. Therefore, a change in interest rates at the reporting date would not affect the profit or other comprehensive income recognised for the year.

25. Financial instruments (cont'd)

(a) Financial risk management (cont'd):

(ii) Market risk (cont'd):

- Foreign currency risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The group incurs foreign currency risk primarily on purchases and borrowings that are denominated in a currency other than the Jamaica dollar. The principal foreign currency exposures of the group and the company are denominated in United States dollars (US$).

The group's and the company's exposure to foreign currency risk on US$ denominated balances was as follows:

	The Group		The Company	
	2012	2011	2012	2011
Cash and cash equivalents	599,308	370,953	475,306	255,770
Securities purchased under resale agreements	-	150,308	-	150,308
Investments	266,220	248,445	266,220	248,445
Accounts receivable	1,870,713	1,761,225	1,452,931	1,472,185
Due (to)/from related parties	516,505	(2,461)	483,403	(2,461)
Bank overdrafts	(143,174)	(79,171)	(143,174)	(79,171)
Accounts payable	(282,130)	(244,911)	(251,690)	(180,076)
Long-term loan	(389,549)	(1,675,616)	(389,549)	(1,675,616)
	US$ 2,437,893	528,772	1,893,447	189,384
Equivalent to	$224,651,840	45,545,829	174,481,141	16,312,610

Exchange rates in terms of the Jamaica dollar ($) for US$1 were as follows:

At December 31, 2012: $92.15
At December 31, 2011: $86.14

Sensitivity analysis

Changes in the exchange rates of the Jamaica dollar ($) to the United States dollar (US$) would have the effects described below:

25. Financial instruments (cont'd)

(b) Financial risk management (cont'd):

(ii) Market risk (cont'd):

- Foreign currency risk (cont'd):

Sensitivity analysis (cont'd)

	Increase/(decrease) in profit for the year			
	The Group		The Company	
	2012 $	2011 $	2012 $	2011 $
4% (2011: 1%) strengthening of the US$ against the J$	8,986,074	455,484	6,979,246	163,126
1% (2011:1%) weakening of the US$ against the J$	(2,246,518)	(455,484)	(1,774,811)	(163,126)

The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2011.

(iii) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. The management of the group aims at maintaining flexibility in funding by keeping lines of funding available.

The following are the contractual maturities of financial liabilities measured at amortised cost, including interest payments. The tables show the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the group can be required to pay:

	The Group					
	2012					
	Carrying amount $	Contractual cash flows $	6 months or less $	6-12 months $	1-2 years $	2-5 years $
Short-term loan	10,000,000	10,000,000	10,000,000	-	-	-
Long-term liabilities	101,346,847	114,038,377	32,691,530	36,219,347	45,127,500	-
Bank overdrafts	32,755,176	32,755,176	32,755,176	-	-	-
Accounts payable	90,802,506	90,802,506	90,802,506	-	-	-
Total financial Liabilities	234,904,529	247,596,059	166,249,212	36,219,347	45,127,500	-

25. Financial instruments (cont'd)

(a) Financial risk management (cont'd):

(iii) Liquidity risk (cont'd):

The Group (cont'd)

2011

	Carrying amount $	Contractual cash flows $	6 months or less $	6-12 months $	1-2 years $	2-5 years $
Long-term liabilities	197,359,659	220,755,551	42,097,383	42,097,383	84,310,785	52,250,000
Bank overdrafts	6,769,468	6,769,468	6,769,468	-	-	-
Accounts payable	64,154,178	64,154,178	64,154,178	-	-	-
Total financial liabilities	268,283,305	291,679,197	113,021,029	42,097,383	84,310,785	52,250,000

The Company

2012

	Carrying amount $	Contractual cash flows $	6 months or less $	6-12 months $	1-2 years $	2-5 years $
Short-term loan	10,000,000	10,000,000	10,000,000	-	-	-
Long-term liabilities	101,346,847	114,038,386	32,691,530	36,219,347	45,127,500	-
Bank overdrafts	32,348,151	32,348,151	32,348,151	-	-	-
Accounts payable	83,055,774	83,055,774	83,055,774	-	-	-
Total financial liabilities	226,750,772	239,442,311	158,095,455	36,219,347	45,127,500	-

2011

	Carrying amount $	Contractual cash flows $	6 months or less $	6-12 months $	1-2 years $	2-5 years $
Long-term liabilities	197,359,659	220,755,551	42,097,383	42,097,383	84,310,785	52,250,000
Bank overdrafts	6,769,468	6,769,468	6,769,468	-	-	-
Accounts payable	55,787,714	55,787,714	55,787,714	-	-	-
Total financial liabilities	259,916,841	283,312,733	104,654,565	42,097,383	84,310,785	52,250,000

(b) Capital management:

The group manages the adequacy of capital by managing the returns on equity and borrowed funds to protect against losses on its business activities so as to be able to generate an adequate level of return for its stockholders. As a condition of its long term loans, the company is required to have positive stockholders' equity. There are no other externally imposed capital requirements and there have been no changes in the group's and the company's approach to managing capital during the year.

25. Financial instruments (cont'd)

(c) Fair value disclosures:

The carrying values reflected in the financial statements for monetary assets and liabilities such as cash and cash equivalents, securities purchased under resale agreements, accounts receivable, bank overdrafts and accounts payable and provisions are assumed to approximate their carrying values due to their relatively short-term nature. Long-term liabilities are assumed to approximate fair value, as they are contracted at commercial rates. Amounts due from/to related parties, are considered to approximate their carrying value due to their short-term nature, and/or an ability to affect future set-offs in the amounts disclosed. The fair value of investments is determined as disclosed in note 2(n).

(d) Determination of fair value and fair values hierarchy:

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs have created the following fair value hierarchy. This hierarchy requires the use of observable market data when available. The group considers relevant and observable market prices in its valuations where possible.

Level 1 - Quoted prices in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. There are no investments that qualify for this category.

At the reporting date, financial instruments carried at fair value amounting to $54,490,533 (2011: $54,212,088) using level 1 prices.

26. Capital commitments

As at the reporting date, the company entered into an agreement to acquire property at a cost of US$750,000. In the prior year, the company had a capital commitment of approximately $7.6 million of which $3.4 million was paid as deposit for the purchase and installation of a new accounting software.

27. Subsequent event

The Minister of Finance announced in February 2013, that a surtax of 5% will be levied on unregulated companies with gross income equal to or greater than $500 million (effective in 2013).

At the date of approval of the financial statements, it is not clear whether the imposition of this tax will affect the measurement of the group's deferred tax liabilities.